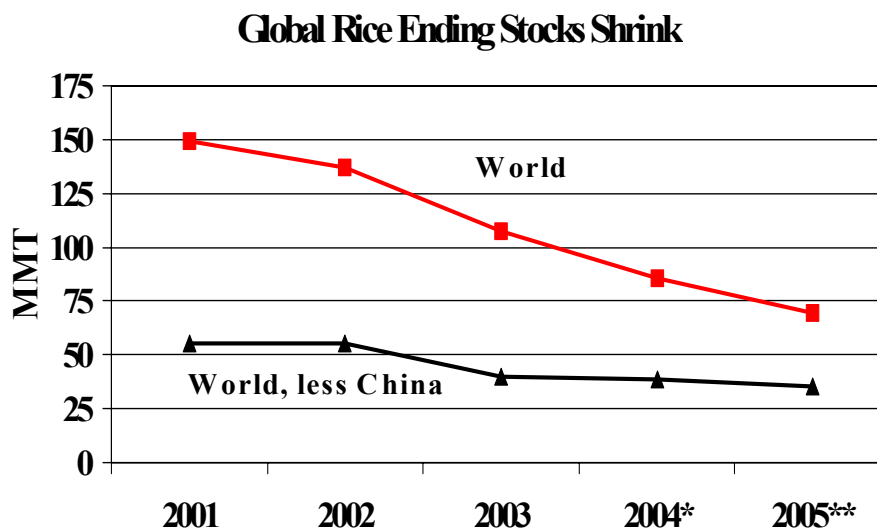
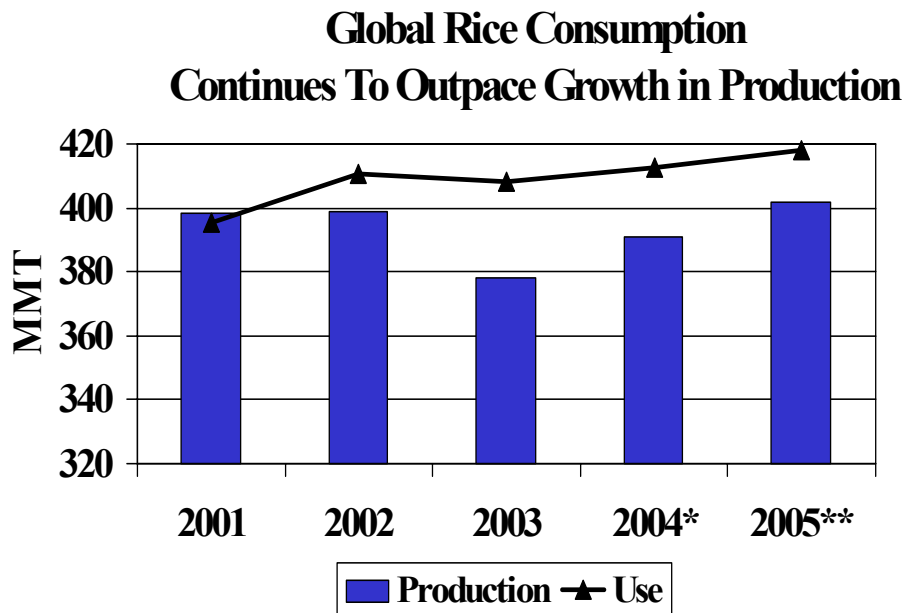
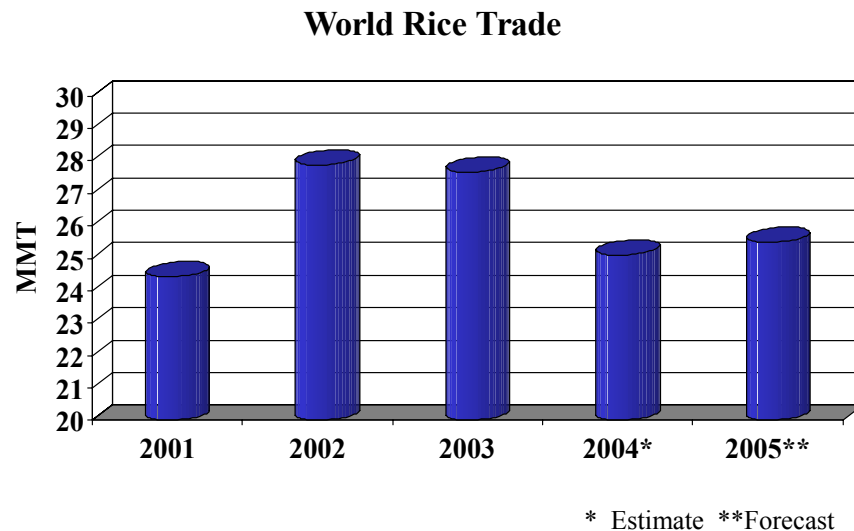

RICE: WORLD MARKETS AND TRADE

Global production in 2004/05 is projected at 401.8 million tons (milled basis), up 10.8 million tons from 2003/04 as China's production is expected to rebound to 2002/03 levels. Global consumption continues to outpace production and is expected to grow 5.2 million tons to 417.9 million. Consequently, ending stocks are projected to plunge 16.1 million tons, with substantial declines expected in China, Thailand, and Vietnam. This implies stronger prices throughout the 2004 and 2005 trade years.



* Estimate **Forecast

Global rice trade is expected to be relatively flat year-to-year as a sizeable increase in Indonesian imports is largely offset by a decline in imports by the Philippines. While Thailand is likely to achieve record export levels in 2004, other suppliers such as Pakistan and Vietnam are expected to increase exports in 2005, taking some market share from Thailand.



HIGHLIGHTS FOR 2004/05

Exporters

United States calendar year 2005 exports are forecast to reach a near-record 3.6 million tons as the expected price gap between the U.S. and Asian suppliers narrows.

Thailand is again expected to be the number one exporter, with shipments forecast at 8.0 million tons, but down 750,000 from 2004 mainly due to lower exportable supplies and an increase in exports from Vietnam. **Vietnam** exports are projected up 250,000 tons to 4.0 million with production anticipated to be little changed from a year earlier.

Exports by **China** are projected to remain flat year-to-year at 1.2 million tons and to go mainly to maintaining their traditional markets in Africa and North Asia. While consumption continues to rise, production is forecast to only mildly recover. Thus, as in 2003/04, stocks are expected to fall by about 30 percent again in 2004/05. Consequently, China is forecast to also import regular, non-fragrant white rice in 2005.

With high internal prices in **India** and a lack of government subsidies, no increase in exports is anticipated and, therefore, levels are forecast flat year-to-year at 2.5 million tons. **Pakistan** exports are expected to be up 100,000 tons to 2.1 million tons. Production and ending stocks in both countries are forecast to increase.

A recovery in exports is expected in **Australia** for 2005. Australia's production is up for a second consecutive year, but planted area ultimately will depend on the availability of irrigation water at time of planting. It is projected to still trail pre-drought levels. Australia is expected to regain some of the markets that it had temporarily ceded to China, such as Papua New Guinea. In **Egypt**, exports are forecast to remain flat from year-to-year at 700,000 tons, despite a new subsidized rice program in which approximately 30,000 tons of rice a month will be sold at subsidized prices to feed the poor. In response to this program, and with exports expected to remain flat, ending stocks should decline.

In **Burma**, the government-imposed export ban is likely to cause stocks to increase and thus depress domestic prices. This, combined with the high cost of inputs, has production forecast to decline. However, once the ban is removed, large stocks will facilitate a slight boost in exports.

Argentina and **Uruguay** are both expected to increase exports relative to the revised estimates for 2004. Production is set to increase in both countries.

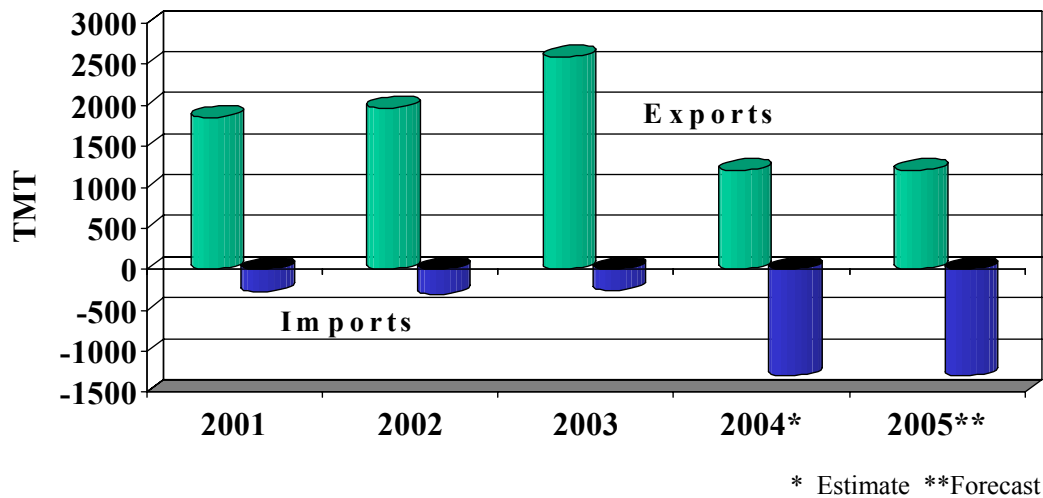
Importers

An increase in per capita consumption for high quality fragrant, or specialty, rice is expected to boost **U.S.** rice imports 20,000 tons year-to-year to 470,000. Much of this increase in consumption is seen in the hotel and restaurant industry. Medium grain imports into the U.S. territory of Puerto Rico are also expected to continue as the Jones Act makes foreign rice more price competitive for the U.S. commonwealth at current medium grain prices. Despite a bumper crop in **Mexico**, imports are expected to slightly exceed the revised 2004 level.

Import demand in Latin America is expected to drop from the revised 2004 level of 2.5 million tons. This reduction is largely a result of less import demand from **Brazil**, which is expected to have a bumper harvest. For the first time in almost 8 years, **Peru** is expected to import significant amounts in both 2004 and 2005 due to drought conditions. However, the government, through the Ministry of Agriculture, is encouraging rice production in the fertile oriental slopes of the Andes to overcome this rice shortage.

For the second consecutive year **China** is set to be a net rice importer in 2005. Due to several years of declining production and stocks, China began importing non-fragrant white rice from both Vietnam and Thailand in early 2004. It is anticipated that China will again need to import more than its traditional fragrant rice needs in 2005. Distribution problems plague the movement of stocks. The government has attempted to encourage rice production in 2004/05 by offering producer subsidies. Production is expected to rebound slightly, but not enough to offset the need for white rice imports.

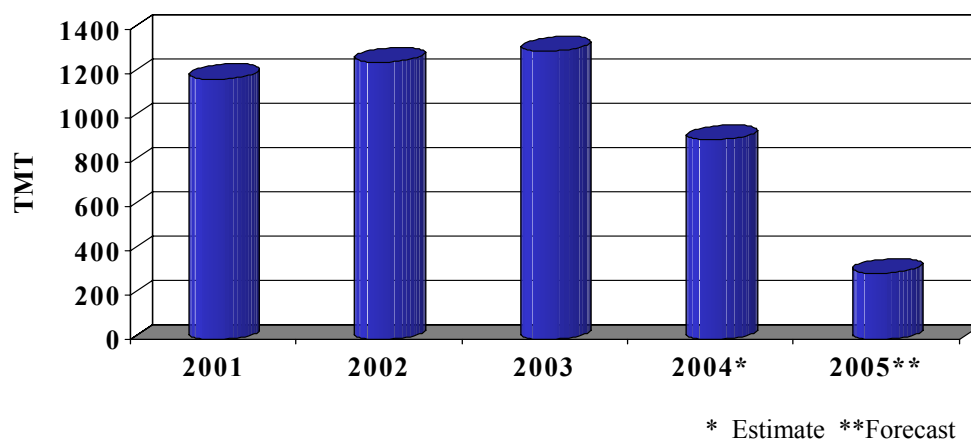
China Rice Trade



The Middle East is anticipated to remain one of the largest markets for imports as **Saudi Arabia** and **Turkey** are expected to see some import growth. Saudi Arabia continues to be a main destination for Indian and U.S. parboiled rice. In Turkey, after a significant decline in imports in 2004 due to the government-imposed import ban, imports are set to rebound in 2005. The ban was recently replaced by a temporary, combined import TRQ and domestic absorption policy, which will continue to limit imports for 2004. **Iran** and **Iraq** imports are expected to remain flat year-to-year.

After withdrawing from the market in early 2004 due to ample domestic supplies and a government-imposed import ban during the main harvest period, **Indonesia** is projected to return as the number one importer in 2005. The **Philippines**, however, will see a substantial drop in imports—about 70 percent—resulting from bumper production and ample stocks as the government hopes to promote self-sufficiency through hybrid rice production.

Philippine Rice Imports



Africa is anticipated to remain the number one destination for rice imports, led by **Nigeria**, where imports are forecast to remain large at 1.6 million tons, with Thailand positioned to supply the majority of this parboiled market. With concerns regarding the quality of Indian parboiled rice, it is uncertain if Nigeria will purchase from this origin in either 2004 or 2005. However, India and Thailand are likely to maintain market share in **South Africa**, with imports forecast flat year-to-year. Fragrant broken imports into **Senegal** are expected to remain flat year-to-year as well.